

CITY OF SPRINGFIELD, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2002

Prepared by:

Finance Department
Accounting Division

City of Springfield, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2002

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December 12, 2002

To the Citizens of the City of Springfield, Oregon:

In accordance with Oregon statutes and the City's charter, the Comprehensive Annual Financial Report of the City of Springfield, Oregon, together with the opinion thereon of our independent auditors, for the fiscal year ended June 30, 2002, is hereby submitted. The unqualified opinion rendered in this report indicates that the financial statements were prepared in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in four sections:

- 1 Introductory Section, including the City Manager, Assistant City Manager, Finance Director, and Accounting Manager's joint letter of transmittal, the City's organization chart, a list of the City's principal officials, and awards;
- 2.) Financial Section, including the general purpose financial statements and the combining, individual fund and account group financial statements and schedules, required supplementary information, and other supplemental schedules, as well as the report of the independent certified public accountants;
- 3.) Statistical Section, including a number of tables of financial data for the last ten fiscal years, together with demographic and other information about the City; and
- 4.) Reports of independent certified public accountants required by statutes, including a report on compliance and certain items, as required by State regulations; and the single audit section, as required by the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133 (as revised June 24, 1997), Audits of States, Local Governments and Non-Profit Organizations, including independent certified public accountants' reports on (1) the City's compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Governmental Auditing Standards* and (2) on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

This report includes all of the funds and account groups of the City. The City provides a full range of municipal services including police, fire, emergency medical, library, streets, sewerage, public improvements, building, planning and zoning, municipal court, and general government services. The report includes all activities for which the City is financially accountable.

The autonomous Springfield Utility Board (SUB), although established by City charter, is operated and controlled by an independently elected board of directors. The City has no responsibility for financing deficits nor entitlements to surpluses from SUB's operations. Therefore, SUB has been excluded from the City's financial statements.

The autonomous Metropolitan Wastewater Management Commission (MWMC) is required to have a separate audit by licensed public accountants. Because the City provides financial and administrative services to the Commission, MWMC is included in this report as the Metropolitan Wastewater component unit, and the information presented has been condensed from the separate MWMC audit report to conform to the City's reporting format.

The autonomous Regional Fiber Consortium (Consortium) is required to have a separate audit by licensed public accountants. Because the City provides financial and administrative services to the Consortium, the Regional Fiber Consortium is included in this report as a discreetly presented component unit. The information presented has been condensed from the separate Regional Fiber Consortium audit report to conform to the City's reporting format.

The Hospital Facility Authority of the City of Springfield, Oregon (an Oregon nonprofit municipal corporation) is required to have a separate audit by licensed public accountants. Because the City appoints all of the members of the Board of Directors and has the ability to impose its will on the Authority's activities, the Authority is included in this report as the Hospital Facility Authority component unit. Although the City approves the issuance of all of the Authority's bonded debt, this debt is not the responsibility of the City and the City has accepted no liability for its repayment. The information presented has been condensed from the separate Authority audit report to conform to the City's reporting format.

ECONOMIC CONDITION

Oregon's economy is in recession, however there are signs that the recession is bottoming out. The Office of Economic Analysis continues to forecast slow growth for the second half of 2002 with strength building into 2003. The Oregon Department of Administrative Services projects personal income to grow by 2.6 percent in 2002, followed by growth of 6.3 percent in 2003 and 7.2 percent in 2004. Per capita income remains below the U. S. average in 2002, but with faster growth projected for the Oregon economy, it is estimated that the per capita income will slowly move toward the U.S. average through 2009. Oregon's population growth is expected to be higher than the U.S. average, but slower than the growth experienced in the mid-1990's with increases of 1.0 percent in 2002 and 1.2 percent in 2003.

The high technology sector is still suffering from the effects of its worst downturn in over 20 years. However, there may be some light at the end of the tunnel for the semiconductor industry. Monthly chip sales were up 7.2 percent in March 2002, its strongest monthly increase since April 1986. The high technology job loss rate has also improved from a 3.5 percent decline in the second quarter to 0.2 percent in the third quarter. The lumber and wood products sector has also received a mild boost from the low interest rates. It is anticipated that the outlook for a slower recovery in the U.S. economy may keep mortgage rates low for the rest of the year.

The housing market in Oregon has remained reasonably strong over the past year and may only show a modest increase in 2003. Finance, insurance, and real estate increased by 0.1 percent during the third quarter, transportation services has continued to build upon its strength shown in the second quarter by adding an additional 900 jobs, for an increase of 24.8 percent. Communications and utilities, and state and local governments continue to report job losses through the third quarter.

The key factors fueling Oregon's long term growth are; recovery in the semiconductor industry, export growth and rising commodity prices, continued strength in domestic markets, business cost advantages, environmental issues, affordable housing, biotechnology, and the quality of life.

RECENT ECONOMIC ACTIVITY

The Lane County jobless rate decreased to 6.3% in June 2002 from a revised figure of 8.3% in January 2002. In June 2002 Lane County's current rate is below the statewide figure of 7.1% and slightly above the County's June 2001 rate of 6.0% unemployment. The seasonally adjusted unemployment rate for Oregon as of June 2002 was 7.1% and 6.0% for the United States. Lane County's total employment of 155,000 is down by 1,000 from June 2001 totals.

Springfield's population grew 1.2% from 2000 to 2001. From 1990 to 2000, official United States Census surveys indicate that the population of Springfield grew similar to the State of Oregon's population growth. Springfield's population grew 1.7% annually over the past decade or a total of 18% and the State of Oregon's population grew 20.2%.

The local economic base, with strong support from public and private development efforts, continues to broaden and diversify from its mostly timber oriented focus of the 1970s and 1980s. Springfield has experienced substantial, steady economic growth and development in the last decade. Some recent, significant activity is highlighted below.

☆ Symantec Corporation, Inc., an international security software firm operating with about 450 employees in several buildings locally announced construction plans. It constructed, in less than a year, a \$35 million 196,000 square-foot office building on about 14 acres it purchased from Sony Corporation in the Gateway area. As Phase 1, the two-story structure for management, administration, training, and customer support activities now has over 500 employees and additional capacity for up to 1,100 employees. With its property options, a possible Phase 2 to the west of the site would join and mirror the Phase 1 development and accommodate an additional 1,100 employees.

☆ PeaceHealth Oregon Region, the parent organization of Sacred Heart Medical Center, has submitted information for a Pre-Application Conference with the City of Springfield regarding the annexation, rezoning and eventual Master Planning of about 160-acres of property in the Gateway area it has designated for its new RiverBend Medical Campus for about 2,200 employees. At the east end of Beltline Road, the RiverBend regional hospital project is estimated to cost about \$350 million and include additional medical office buildings and a mix of land uses, substantial higher density housing, commercial facilities, and parking structures. The hospital facility and supportive infrastructure is slated to start in 2004 and be completed in perhaps 2007. The RiverBend project would also trigger construction of Pioneer Parkway connection from Harlow Road to Beltline and other infrastructure improvements in 2003.

☆ Holt International, an international adoption agency, has approval for plans to build a two-story 25,000 square foot office building (with possible 10,000 square foot expansion sometime in the next 10 years) across from Sony on International Way. The 2.5 acre site will be the new home for about 90 employees in the \$2.75 million structure.

☆ Pacific Source Health Plans has purchased 13.5 acres to build its new administrative headquarters in two phases with 61,440 square feet in each phase. The facility, now under construction, will also be across the street from Sony on International Way and house upwards of 300 employees in phase 1 to be completed in Spring 2003.

- ☆ The Lane County Homebuilders has completed construction of a new 7,888 square foot headquarters building on Laura Street that includes offices and several conference/meeting rooms for the organization and community activities.

- ☆ Mt. Hood Beverage, as part of ALCO holdings LLC, has built a 140,000 square-foot regional distribution center west of 42nd Street on about 11 acres of John Hammer's larger 50 acre redevelopment of former lumber mill site. The new facility consolidates several operations of the firm in the southern Oregon area.

- ☆ United Associates Local 290 and Specht Properties built an Apprenticeship and Journeyman Training Center for professional classes for plumbers and steamfitters on Pierce Parkway in North Springfield. The 32,400 square-foot, two-story facility has classrooms, meeting rooms, and labs to train plumbers and is valued at about \$2.5 million.

- ☆ Sycan B Corporation, a major developer in the area, completed a new Jack-in-the-Box restaurant that seats 68 people and employs 30 workers on Hutton Way. Sycan has also completed \$200,000 in improvement to one of its buildings in the Gateway Marketplace for a wholesale supplier of dental equipment and supplies and for another firm that does electromagnetic scanning and imaging for the medical professions.

- ☆ Comfort Suites added a 2,100 square foot conference center and an additional 8 rooms for \$500,000. In 1999, Sycan had added 56 rooms to the 1300+ rooms in the Gateway area with its new \$2.5 million Comfort Suites hotel on Hutton Way.

- ☆ Ross Dress for Less is now in the Gateway Mall with a \$1.3 million renovation of about 30,000 square-feet. In addition, Applebee's Restaurant has built a 5,400 square foot full-service restaurant facility on the Gateway Mall's northeast pad along Gateway Street.

- ☆ Wal-Mart Stores, Inc. completed construction of a 149,000 square-foot retail store on a 33-acre site in mid-Springfield. The anchor facility also includes 10,000 square-foot outdoor sales area and 70,000 square feet for its future retail expansion. The Wal-Mart operation would provide upwards of 700 jobs in the fully developed facility. The site has other development prospects as well, including a 6,500 square foot retail building on a separate pad for unnamed tenants.

- ☆ On the same 33-acre site as Wal-Mart in mid-Springfield, Jerry's Home Improvement Center has started construction on a 135,000 square foot building anchoring the west end of the major retail site. Jerry's has plans to complete the new \$6 million facility in early 2003.

- ☆ Oregon State Motor Pool facility has completed construction of a 5.7-acre site in the Glenwood area of Springfield for an 11,000 square foot building and 4 acres of site improvements to support a fleet of nearly 200 vehicles. The project includes two fuel islands, a car wash, and Department of Motor Vehicles field office.

- ☆ Lane Forest Products has expanded into Springfield's 42nd-Street area with a second retail yard for its products. The company sells ground covers and planting mixes to gardeners and landscape contractors.

- ☆ I-5 Glass has started construction of a 4,800 square foot facility on Marcola Road to service trucks, automobiles, and residential markets. The .62-acre site will have a wooden building.

- ☆ Dan & Mike's Tire Factory proposes to build a 2,700 square foot warehouse storage building in addition to the existing 5,964-square-foot buildings on the 4167 Main Street site and increase on-site parking.

Major Initiatives

The community of Springfield and the staff of the City of Springfield have had many significant projects that have seen completion this year or have made substantial progress in seeing long-term efforts become success stories. Some of these are:

The efforts of a public/private partnership to develop a sports center complex in Springfield was advanced this year when an additional partner from the private sector joined in and helped facilitate a change in location for the site. Although not entirely completed by year-end, but soon afterwards, the existing site was sold by the City for \$2.3 million to a private developer and the proceeds dedicated to a new site in mid-Springfield. Through the partnership that includes three private developers, two non-profit organizations, and two public agencies the new site will include 5 acres of commercial retail and restaurant facilities, 10 acres for an indoor sports complex with parking, and 16 acres for 5 soccer fields and office space for sports related non-profit organizations. Each organization is playing a significant role in both time and money to ensure that complex will be completed and will add a heavily used facility to an area of the community where parks, open space and redevelopment have long been desired.

Also for redevelopment, this past year, the City exercised its option for the purchase of a downtown commercial site that was simultaneously sold to a private developer for eventual redevelopment. This effort by the City to actively participate in the redevelopment of Springfield's downtown is a direct effort to respond to many of the Council's five-year goal that include expanding Springfield's economy creating family wage jobs, continue to make Springfield a safe community, participate in a renaissance for Springfield, partner with citizens and other public agencies, and to preserve our small town character. Also downtown is the work-in-progress on the renovation of the Richard E. Wildish Community Theatre, converting the once movie house to a live performance theatre.

For the Gateway area, a Springfield neighborhood experiencing a rapid rate of growth, the City is steadily making progress on transportation related issues. The Council, along with the City of Eugene and Lane County, adopted an update of the region's Transportation Plan. The City has also adopted a time schedule for the extension of Pioneer Parkway, the major north/south route between downtown and the Gateway area. A stakeholders group including the federal and state governments, residents and business owners and the City are working to assess and develop recommendations for the I-5 interchange and local street improvements to ensure traffic safety, economic and neighborhood viability for the Gateway area. Included in the Gateway area initiatives has been an announcement by the region's largest hospital of its intention to construct a new primary hospital facility and re-locate to Springfield.

The City continues to be an active member and leader for Team Springfield. The four primary municipal agencies in Springfield that comprise Team Springfield; School District #19, Springfield Utility Board, Willamalane Park and Recreation District, and the City of Springfield, have continued to meet this year and have recently completed a successful effort of neighborhood improvement. The recently adopted five-year goals for the agencies are:

TEAM Springfield: avoid duplication of services, reduce the rate at which the cost of government services increases in Springfield, develop projects jointly, and explore Partnering, increase number of joint Team Springfield meetings

Public Safety: increase public perception that Springfield is safe, attract quality businesses and families, and eliminate negative or unsafe aspects of living in Springfield

Education: increase community confidence in Springfield School District, and educate each child to full potential, produce employable kids

Economy: raise the median income, provide job opportunities so kids can stay in Springfield, attract family wage jobs, continue to diversify economic base, and offer government services at a level that can be supported by Springfield's tax base

Livability: maintain small town feel to Springfield, create an attractive community, and build stronger neighborhoods

As a change in benefit for Springfield's employees, the City ended its participation in a private, defined contribution retirement program and moved approximately 215 employees of its OPEU and AFSCME union employees and its non-union employees into the Oregon Public Employees Retirement System.

Although occurring after the end of the fiscal year, but yet significant for the City, was the submission to and passage by the citizens of Springfield two special purpose four-year property tax levies for public safety. Passed in November of 2002 and effective for July 01, 2003 the City is now authorized to levy an additional \$0.66 per thousand for additional police services and an additional \$0.36 per thousand for the staffing of a fifth fire engine. These two levies address long standing needs within Springfield to address the growth in the community over the past 20 years.

FINANCIAL INFORMATION

Internal Control Structure

Management of the City is responsible for establishing and maintaining an internal control structure.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of the internal control structure. An internal control structure is designed to provide reasonable, but not absolute, assurance regarding: 1.) the safeguarding of assets against loss from unauthorized use or disposition; and 2.) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1.) the cost of a control should not exceed the benefits likely to be derived; and 2.) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Single Audit

As a recipient of federal financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The result of the City's single audit for the fiscal year ended June 30, 2002, reported no instances of material weaknesses in the internal control structure or violations of applicable laws and regulations.

Budgeting Controls

Oregon law requires local governments to prepare and adopt an annual budget. The law establishes standard procedures for preparing, presenting and administering the budget. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before final adoption. The activities of all the funds of the City (except the Trust and Agency Fund, which accounts only for non-budgeted pass-through monies) are included in the annual budget, as required by state law. The City prepares its budget, as allowed under Oregon law, using the modified accrual basis method of accounting. Budgetary control is maintained at the object group level through regular budget status reporting.

Under the changes made by Measure 50, Oregon's municipalities now levy their annual property taxes on a partial rate based levy system. Springfield has been assigned a permanent tax rate of \$4.7403 per thousand dollars of assessed valuation for its annual property tax operating levy. This amount can be temporarily overridden through the use of voter approved serial levies. Springfield is considered to be on a partial rate based levy system, as it still has the authority to levy additional dollar value property tax levy for the retirement of its voter approved general obligation bond debt.

Under Oregon law, the non-school property tax rate is limited to \$10 per \$1,000 of real market value except for property taxes levied to make debt service payments on bonded debt outstanding prior to November 1990. An additional component of the tax rate is the excluded portion. This represents a levy to pay debt service on voter approved general obligation bonds. For the City of Springfield, the tax rate aggregated with the tax rates of Lane County and Willamalane Parks and Recreation District is currently under the \$10 limit at \$8.0065 per \$1,000 of assessed value for 2001-02 and \$8.0106 for 2002-03. The non-school excluded rate component for Springfield, Lane County, Willamalane Park and Recreation District and MWMC adds \$1.0244 to the tax rate for 2001-02 and \$.9989 for 2002-03.

General Governmental Functions

Revenues for general governmental funds, which include the General, Special Revenue, Debt Service and Capital Projects Funds, totaled \$32,140,752 for the 2002 fiscal year as compared to \$29,643,819 for the 2001 fiscal year. The amount of revenues from various sources are shown in the following summary:

	2000-2001		2001-2002	
	Amount (Thousands)	Percent of Total	Amount (Thousands)	Percent of Total
Taxes	\$ 12,259	41.4%	\$ 13,220	41.1%
Licenses and fees	2,054	6.9	2,852	8.9
Special assessments	364	1.2	157	.5
Fines and forfeits	814	2.7	901	2.8
Use of money and property	2,237	7.5	1,387	4.3
Intergovernmental revenues	7,646	25.8	7,706	24.0
Charges for services	3,572	12.2	5,430	16.9
Miscellaneous receipts	<u>698</u>	<u>2.3</u>	<u>488</u>	<u>1.5</u>
Total	<u>\$ 29,644</u>	<u>100%</u>	<u>\$ 32,141</u>	<u>100.0%</u>

Revenues increased 8% from fiscal year 2001 to fiscal year 2002. All categories of revenue increased except Special assessments, Use of money and property and Miscellaneous. Special assessment revenue declined by more than 50% because few assessable projects were completed in the fiscal year. Revenue from use of money and property declined by over 37% as interest rates were at historically low levels.

The total 2001-02 property tax levy submitted was \$12,905,272 with discounts and adjustments for the year of \$472,608 for a net levy of \$12,432,664 with 95.8% collected, and 4.2% uncollected at June 30, 2002. The

total assessed valuation for this fiscal year is \$2,496,155,203 which is an increase of 10.7% from the previous year's value of \$2,254,884,249. The total assessed value for real and personal property in 2002-03 is \$2,559,245,209.

Allocations of the total property tax levy by fund for the current and preceding five years, per \$1,000 assessed value, are as follows:

	01-02	00-01	99-00	98-99	97-98
General Fund	\$ 4.74	\$ 4.74	\$ 4.74	\$ 4.74	\$ 4.75
General Obligation Debt	<u>.43</u>	<u>.44</u>	<u>.77</u>	<u>.81</u>	<u>1.03</u>
	<u>\$ 5.17</u>	<u>\$ 5.18</u>	<u>\$ 5.51</u>	<u>\$ 5.55</u>	<u>\$ 5.78</u>

Expenditures for the governmental funds totaled \$32,605,805 for the 2002 fiscal year as compared to \$30,481,582 for the 2001 fiscal year. Levels of expenditures by major functions of the City as compared to the preceding year are as follows:

	2000-2001		2001-2002	
	Amount	Percent	Amount	Percent
	(Thousands)	of	(Thousands)	of
		Total		Total
General government	\$ 4,368	14.3%	\$ 4,956	15.2%
Public safety	13,638	44.7	14,758	45.3
Library	1,016	3.3	1,097	3.3
Community development	7,202	23.6	8,224	25.2
Capital outlay	2,803	9.2	2,268	7.0
Debt service	<u>1,454</u>	<u>4.9</u>	<u>1,303</u>	<u>4.0</u>
	<u>\$ 30,481</u>	<u>100.0%</u>	<u>\$ 32,606</u>	<u>100.0%</u>

Expenditures increased by 6.7% in 2001-02 from the prior year. Most significant is an increase in public safety expenditures of over \$1 million, followed by an increase in community development, also over \$1 million.

Current expenditures of \$32,605,805 exceed current revenues of \$32,140,752 by \$465,053.

General Fund Operations and Fund Balance

The General Fund accounts for the basic operations of the City and an analysis of its financial condition provides information about the City's ability to fund some of its most important functions. General Fund revenues and expenditures by major categories, as compared to the prior year, are as follows:

	2000-01		2001-02	
	Amount (Thousands)	Percent of Total	Amount (Thousands)	Percent of Total
Revenues				
Taxes	\$ 10,406	51.2%	\$ 11,312	51.8%
Licenses and fees	2,016	9.9%	2,837	13.0%
Fines and forfeits	814	4.0%	901	4.1%
Use of money and property	565	2.8%	293	1.3%
Intergovernmental revenues	3,450	17.0%	3,162	14.5%
Charges for services	2,675	13.2%	2,926	13.6%
Miscellaneous receipts	<u>382</u>	<u>1.9%</u>	<u>365</u>	<u>1.7%</u>
Total	<u>\$ 20,308</u>	<u>100.0%</u>	<u>\$ 21,796</u>	<u>100.0%</u>
Expenditures				
General government	\$ 3,716	17.9%	\$ 4,217	18.9%
Public safety	13,283	64.2%	14,449	64.6%
Library	959	4.6%	1,049	4.6%
Community development	2,524	12.2%	2,595	11.5%
Capital outlay	<u>229</u>	<u>1.1%</u>	<u>109</u>	<u>.4%</u>
	<u>\$ 20,711</u>	<u>100.0%</u>	<u>\$ 22,470</u>	<u>100.0%</u>

General Fund revenues increased by 8% over the prior year, due primarily to increases in taxes, licenses and fees, and charges for services. The increases in licenses and fees and charges for services were a reflection of the city's intent to move in the direction of full cost recovery for certain services. The decrease in Intergovernmental revenues was due to a drop in the State Shared Revenues and also Federal Grants. Expenditures increased by 8.5% with the largest increase in public safety. Police and Fire Department personal services costs increased by approximately \$500,000 each. This was largely driven by health care benefit cost increases for both departments and also due to high overtime costs in the fire department. Total General Fund expenditures exceeded total revenues by approximately \$675,000 for the year, before operating transfers. After the effect of operating transfers, the excess of expenditures over revenues is \$16,247. Last year, General Fund expenditures exceeded General Fund revenues by approximately \$400,000.

Enterprise Funds Operations

Comparative operating data for the past two fiscal years are presented for the Enterprise Funds in the following summary:

	Sewer Utility		Emergency Medical Services		Booth-Kelly	
	2001	2002	2001	2002	2001	2002
	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)
Operating revenues	\$5,015	\$5,671	\$4,017	\$4,657	\$ 575	\$ 584
Operating expenses	(4,618)	(4,560)	(4,369)	(4,887)	(437)	(473)
Non-operating revenue (expenses):						
Interest income	418	242	143	67	99	51
Lease Income		-		-		-
Interest expense	(287)	(271)		-		-
Operating transfers out	(4)	(3)		-	(257)	(215)
Gain/loss on disposal of assets			(25)		(84)	
Other non-operating revenues/expenses	<u>1,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$1,846</u>	<u>\$ 1,084</u>	<u>\$ (144)</u>	<u>\$ (163)</u>	<u>\$ (104)</u>	<u>\$ (53)</u>

The City's Sewer Utility Fund had net income of \$1,084,217. Except for the effect of the large other non-operating revenue in the prior year, the current year would be showing an increase in net income of approximately \$524,000. This is due to an increase in operating revenues in conjunction with a small decrease in operating expenses.

The Emergency Medical Services Fund (EMS) had a net loss of \$163,396, down from the prior year's net loss of \$144,331. Growth in expenditures outpaced growth in revenues as personal services costs went by up 25%.

The City's Booth-Kelly Fund had net loss of \$53,260, an increase from the prior year's net loss of \$103,656. Revenues and expenses remained fairly stable and the change is primarily due to the effect of the one-time charges in the prior year.

Discretely Presented Component Proprietary Funds Units

	<u>Component Unit</u> <u>Metropolitan</u> <u>Wastewater</u>		<u>Component Unit</u> <u>Regional Fiber</u> <u>Consortium</u>	
	2001	2002	2001	2002
	(Thousands)	(Thousands)	(Dollars)	(Dollars)
Operating revenues	\$ 11,779	\$ 11,655	\$ 8,183	\$203,000
Operating expenses	(12,887)	(13,931)	(82,572)	(1,191,809)
Non-operating revenue				
(expenses):	-	-	-	-
Interest income	1,122	797	1,724	
Lease Income	22	8	-	-
Interest expense	-	-	-	-
Operating transfers out	-	-	-	-
Gain/loss on disposal of assets	-	(11)	-	-
Other non-operating revenues/(expenses)	<u>591</u>	<u>880</u>	<u>-</u>	<u>(125)</u>
Net income (loss)	<u>\$ 627</u>	<u>\$ (601)</u>	<u>(\$ 72,665)</u>	<u>\$ (998,934)</u>

The Metropolitan Wastewater Commission had net loss of \$601,403, a decrease from the prior year's net income of \$627,623. Operating revenues decreased due to a user fee shortfall caused by a decrease in customer flow. Operating expenses rose due to an increase in billing & collections costs, utilities, health care benefit costs and an increase in personnel.

The Regional Fiber Consortium began operations by executing a lease for the fiber. For the year ended June 30, 2002, the depreciation expense exceeded the lease revenue resulting in a net loss.

Internal Service Funds

The City currently maintains two internal service funds; the Vehicle and Equipment Fund and the Insurance Fund. The Vehicle and Equipment Fund accounts for the replacement cost of rolling stock and major equipment. Each City fund that uses the equipment is charged an annual rent based on the projected pro rata share of the anticipated replacement cost. In this way, replacement reserves are accumulated over the estimated useful life of the equipment and are available when the equipment must be replaced. The Insurance Fund accounts for the purchase of the City's insurance, the city's workers compensation program and the employee benefit program. Each City fund is charged its pro rata share for each program. These charges provide the resources of the Insurance Fund.

Fiduciary Operations

The City maintains an agency fund to account for Municipal Court bail transactions, emergency services collections for other cities, and other miscellaneous items. The undistributed balance remaining in the agency fund at June 30, 2002, totaled \$1,613,212.

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. This data for the City at June 30, 2002 is as follows:

	Amount	Ratio of Debt to Assessed Value	Debt Per Capita
Net direct bonded debt (General Obligation bonds, excluding Bancroft debt)	\$ <u>9,506,042</u>	<u>.38</u>	<u>\$179</u>

Outstanding general obligation bonds totaled \$9,880,000 at June 30, 2002. Funds accumulated in the debt service fund totaling \$373,958 are available and the remainder of \$9,506,042 is considered to be net direct tax supported debt.

Assessment related bonded debt totaled \$60,000 at June 30, 2002.

The City's bonds carry the rating of A2 as reported by Moody's Investors Service and A as reported by Standard and Poor's. More detailed information about the debt position of the City is presented in supplemental schedules in the Financial Section and in the Statistical Section of this report. The City's general obligation bonded debt issuances are limited by state law. As of June 30, 2002, the City's general obligation debt of \$9,880,000 was well below the statutory limit of \$94,686,817.

Cash Management

Cash, temporarily idle during the year in the City's accounts, was invested in certificates of deposit, obligations of the U.S. Treasury and agencies, and the State of Oregon Local Government Investment Pool, all ranging in maturity from one day to eighteen months. The total amount of interest earned was \$1,975,648 as compared to \$3,623,149 for the prior year. The change is the result of very low interest rates throughout the fiscal year ended June 30, 2002.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance, the Securities Investor Protection Corporation (SIPC), or collateralized through the Oregon Certification of Participation Collateral Pool. All of the investments held by the City during the year and at June 30, 2002, are classified in the category of lowest custodial risk as defined by the Governmental Accounting Standards Board.

Investments are required to be reported at fair value rather than cost. For this year, investment value was marked up by \$54,466 to reflect fair value. For fiscal year 2000-01 investments were marked up by \$36,951 to reflect fair value. This is a function of market fluctuation and will not result in a realized loss or gain to the City because our policy is to hold investments to maturity.

Risk Management

The City maintains a professional risk management program. Various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City has third-party coverage for all lines of insurance. The liability program has token deductibles of less than \$500.

On March 31, 1999, the City terminated the Workers' Compensation Self-Insurance Plan, which had been implemented in 1991. From that date on, worker's compensation claims have been covered by a third-party carrier, SAIF. As of June 30, 2002, the amount of liability for claims incurred before March 31, 1999, but not reported, was estimated at \$64,000.

General Fixed Assets

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude infrastructure assets such as streets and storm drains, and also exclude the fixed assets of proprietary-type funds. The City's capitalization threshold for fixed assets is \$5,000. As of June 30, 2002, the general fixed assets of the City amounted to \$20,910,147. This amount represents the original cost of the assets or the fair market value of donated assets. Depreciation of general fixed assets is not recognized in the City's accounting system. The City has instituted replacement funds for only a portion of fixed assets and contributions are not presently at the level necessary to provide for replacement without additional annual appropriations. Although replacement funds are generally adequate for rolling stock and computer equipment, no provision is being made for replacement funds for major City facilities.

OTHER INFORMATION

Independent Audit

The City charter and Oregon State law (ORS 297.405 to 297.555) requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City. The accounting firm of Moss Adams LLP was selected by the City Council as its independent auditors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133.

The independent certified public accountants' report on the general purpose financial statements and combining and individual fund and account group statements and schedules is included in the financial section of this report. The independent certified public accountants' reports related specifically to the single audit are included in the reports of independent certified public accountants required by statutes section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2001. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

For the fifteenth consecutive year, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated July 1, 2001. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Mayor and City Council, preparation of this report would not have been possible.

Respectfully submitted,

CITY OF SPRINGFIELD, OREGON

Michael A. Kelly,
City Manager

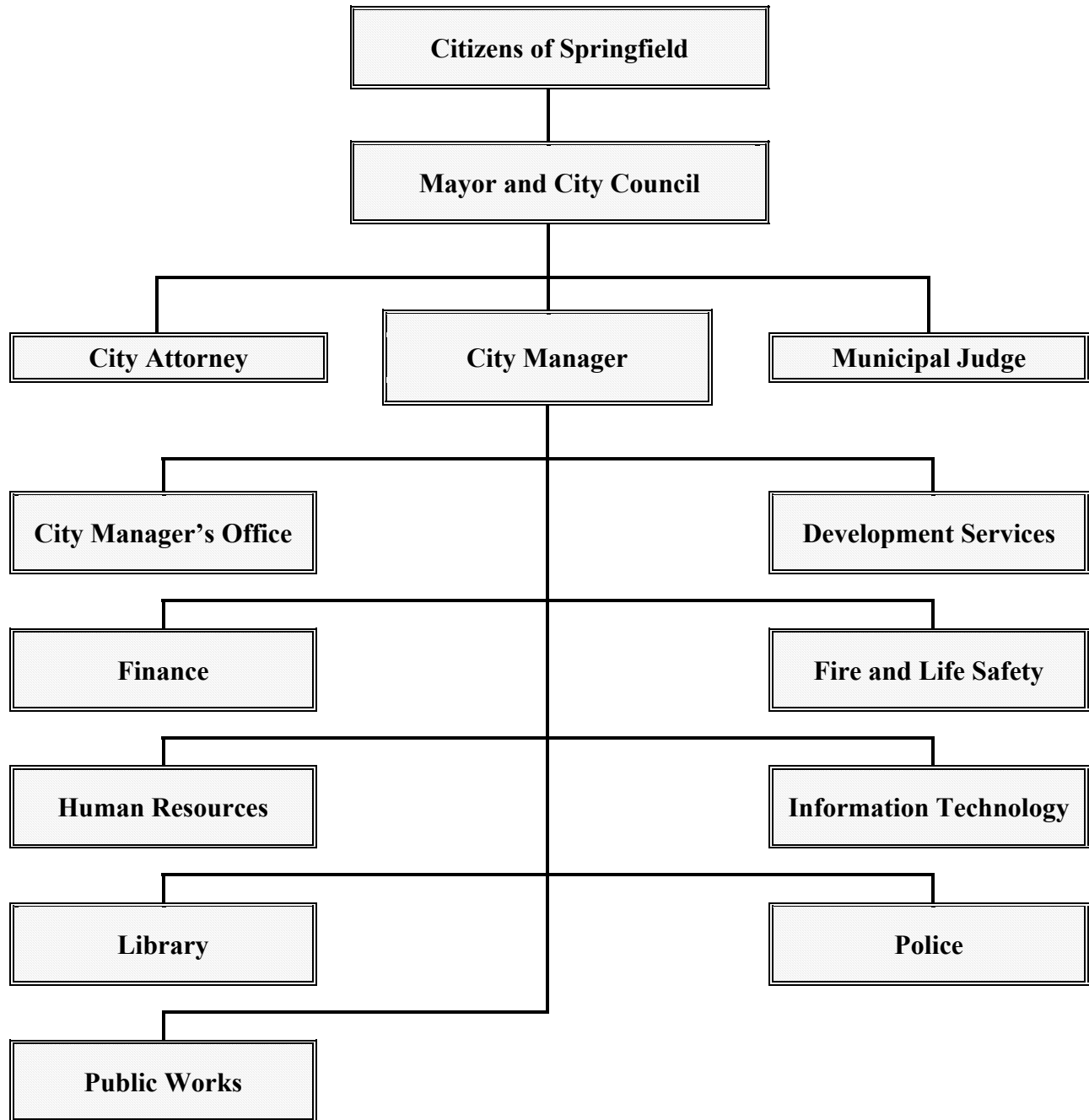
Gino C. Grimaldi,
Assistant City Manager

Robert J. Duey,
Finance Director

Valerie Warner,
Accounting Manager

CITY OF SPRINGFIELD

Organization Chart



City of Springfield, Oregon

Principal City Officials June 30, 2002

Elected Officials

Mayor

Sidney W. Leiken
196 38th Place
Springfield, OR 97478

Term Expiration

December 31, 2004

Council Members

Christine Lundberg
127 Woodlane Drive
Springfield, OR 97477

Ward 1

December 31, 2002

Tammy Fitch
1102 West "D" Street
Springfield, OR 97477

Ward 2

December 31, 2002

Anne Ballew
953 "C" Street
Springfield, OR 97477

Ward 3

December 31, 2004

David Ralston
2114 "L" Street
Springfield, OR 97477

Ward 4

December 31, 2004

Fred Simmons
312 South 52nd Place
Springfield, OR 97477

Ward 5

December 31, 2002

Lyle Hatfield
518 North 68th Place
Springfield, OR 97478

Ward 6

December 31, 2004

Administrative Officials

Michael A. Kelly
Gino C. Grimaldi
Robert J. Duey

City Manager
Assistant City Manager
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Springfield,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Timothy A. Brown
President

Jeffrey L. Esser
Executive Director

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